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**ANNUAL**

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**REPORT**

PINEX

**FEBRUARY 29, 1968**

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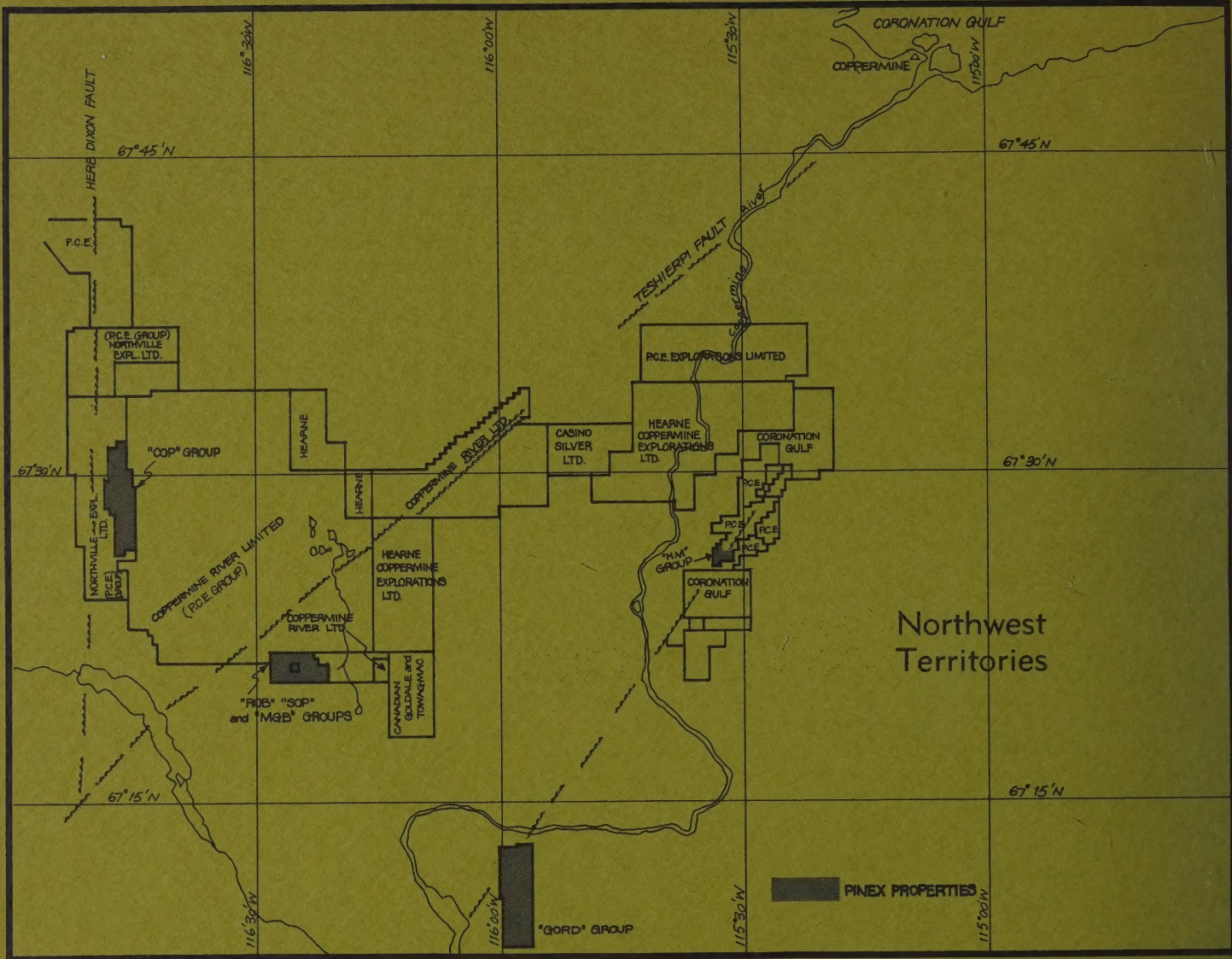
**PINEX MINES LIMITED (N.P.L.)**

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**PINEX MINES LIMITED (N.P.L.)****CONDENSED STATEMENT OF EXPLORATION  
DEVELOPMENT AND ADMINISTRATION EXPENSES****For the six months ended August 31, 1968**(with comparative figures for the six months ended  
August 31, 1967)**Expenses to February 29**

	1968	1967
Administration (includes office rent, salaries, travel, etc.)	\$34,509.13	\$ 8,726.68
Exploration and Development	88,924.29	39,606.19
	<u>\$123,433.42</u>	<u>\$48,332.87</u>

**Expenses for the six months ended August 31**

Administration (includes office rent, salaries, travel, etc.)	\$11,123.60	\$ 8,057.47
Camp Costs	384.00	6,839.39
Exploration and Development	9,383.70	63,137.96
	<u>\$ 20,891.30</u>	
Total—Exhibit A	<u>\$144,324.72</u>	<u>\$126,367.69</u>

Exhibit C

**PINEX MINES LIMITED (N.P.L.)****STATEMENT OF SOURCE AND APPLICATION OF FUNDS****For the six months ended August 31, 1968**(with comparative figures for the six months ended  
August 31, 1967)**Funds were provided by:**

	1968	1967
Net proceeds from sale of shares		\$200,000.00

**Funds were applied to:**

Advance to sulphur process, pilot mill project	\$ 3,000.00	
Options to purchase mineral claims	2,000.00	\$ 40,000.00
Investment in Northern Coal Mines Ltd.		111,000.00
Participation in oil farmouts		352.86
Purchase of mineral claims		1,000.00
Purchase of equipment		459.31
Exploration, development and administrative expenses	20,891.30	78,034.82
	<u>\$ 25,891.30</u>	<u>\$230,846.99</u>
Decrease in working capital	<u>\$(25,891.30)</u>	<u>\$(30,846.99)</u>

**SCHEDULE OF WORKING CAPITAL CHANGES**

	1968	1967
Current Assets	\$ 23,222.50	\$ 90,976.14
Current Liabilities	56,294.51	105,756.56
Working capital deficiency August 31	\$(33,072.01)	\$(14,780.42)
Working capital (deficiency) February 29, 1968	(7,180.71)	
February 28, 1967		<u>\$ 16,066.57</u>
Decrease in working capital	<u>\$(25,891.30)</u>	<u>\$(30,846.99)</u>

**INTERIM  
REPORT****FOR THE SIX MONTH PERIOD  
ENDED AUGUST 31, 1968****PINEX MINES LIMITED (N.P.L.)**



## PINEX MINES LIMITED (N.P.L.)

## BALANCE SHEET

As at August 31, 1968  
(with comparative figures as at August 31, 1967)

## Coppermine River Area Claims

Noranda Explorataion Company carried on an active program of exploration on the Company's 263 mineral claims in the Coppermine River area of the Northwest Territories during 1968. No written report has been received as yet from Noranda but in discussions with Company staff it appears that no immediate targets for drilling have been developed. After the completion of the Noranda report and review by our personnel, a decision will be taken by our Directors with regard to the program in 1969.

## Sulphur—Thermopolis Property, Wyoming

Work done by our consultants, Chapman, Wood & Griswold Ltd., in the spring and summer of 1968 has shown that this sulphur property is not likely to be of either a size or grade which could be brought into production at a reasonable profit under present sulphur marketing conditions. The Dircetors have maintained the option at no extra cost to the Company but do not propose to exercise the option under present conditions.

## Additional Exploration

Properties in the Pine Point area and in the Athabasca area of Northern Saskatchewan have been maintained in good standing, with programs planned for 1969.

## Coal

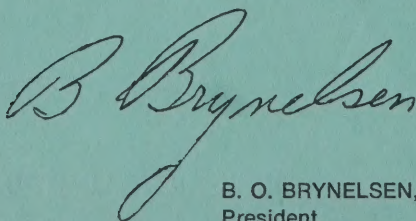
The Company has a substantial investment in the shares of Northern Coal Mines Ltd. but is not participating in work being done by that Company on its property. It is understood that the Directors of Northern Coal Mines Ltd. have made financial arrangements to carry on their work.

## Financial

The three main projects of this Company in the Coppermine River area in the Thermopolis property and in the coal project of Northern Coal Mines Ltd. have not responded as the Directors would wish and further work will be required before the potential can be assessed. In the meantime, the financial position of the Company has been maintained by Directors' advances with no new financing taken during 1968.

The Directors are active in search of attractive development prospects for the Company and of new financing to carry on this work.

ON BEHALF OF THE BOARD



B. O. BRYNELSEN,  
President.

Vancouver, B.C.,  
Novmbeber 7, 1968.

## ASSETS

	1968	1967
<b>Current Assets</b>		
Cash		\$ 1,036.14
Accounts Receivable		88,500.00
Deposits	\$ 20,822.50	
Advances	2,400.00	1,440.00
	<u>\$ 23,222.50</u>	<u>\$ 90,976.14</u>
<b>Investments</b>		
Northern Coal Mines Ltd.		
840,000 shares—at cost	\$ 126,097.75	\$111,000.00
Ionarc Smelters Ltd.		
20,000 shares—at cost	10,000.00	5,000.00
Oil Farmouts—at nominal value	2.00	11,784.74
Advance to Sulphur Process		
Pilot Mill Project	25,000.00	
	<u>\$161,099.75</u>	<u>\$127,784.74</u>
<b>Mineral Properties</b>		
Properties—options to purchase	\$ 62,000.00	\$ 60,000.00
Mineral Claims	75,500.00	39,500.00
	<u>\$137,500.00</u>	<u>\$ 99,500.00</u>
<b>Equipment—at cost</b>	\$ 459.31	\$ 459.31
<b>Deferred</b>		
Exploration, development and administrative expenses—		
Exhibit B	\$ 144,324.72	\$126,367.69
Incorporation costs	1,591.18	1,591.18
	<u>\$145,915.90</u>	<u>\$126,367.69</u>
	<u>\$468,197.46</u>	<u>\$466,679.06</u>

## LIABILITIES

<b>Current Liabilities</b>		
Excess of outstanding cheques over cash in bank	\$ 1,136.03	
Bank Loan		\$ 15,000.00
Accounts payable and accrued	55,158.48	46,756.56
Advance by directors		44,000.00
Advance by shareholder	11,000.00	
	<u>\$ 67,294.51</u>	<u>\$105,756.56</u>
<b>Shareholders' Equity</b>		
Share Capital		
Authorized 5,000,000 shares with a par value of 50c each		
Issued—for cash		
1,200,005 shares	\$ 600,002.50	\$600,002.50
—for other consideration		
1,155,230 shares	577,615.00	375,000.00
	<u>\$1,177,617.50</u>	<u>\$975,002.50</u>
Less: Discount	735,165.00	620,000.00
Net to Treasury	<u>\$ 442,452.50</u>	<u>355,002.50</u>
<b>Deficit</b>		
Cost of acquiring interest in oil farmouts and expenses thereto written off	\$ (41,549.55)	(14,080.00)
	<u>\$400,902.95</u>	<u>\$400,902.95</u>
	<u>\$468,197.46</u>	<u>\$446,679.06</u>

PREPARED WITHOUT AUDIT



# PINEX MINES LIMITED (N.P.L.)

(incorporated in the Province of British Columbia)

HEAD OFFICE: SUITE 401, 1111 WEST HASTINGS STREET, VANCOUVER, B.C.

*All Resolutions  
Approved by  
Annual Mtg.*

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## NOTICE OF ANNUAL GENERAL MEETING

### TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of Pinex Mines Limited (N.P.L.) will be held in the Queen Anne Room at the Hotel Georgia, Vancouver, British Columbia, on Monday, the 15th day of April, 1968 at 2:30 p.m. for the following purposes:

1. To receive and approve the report of the Directors, the Financial Statements of the Company for the fiscal year ended February 29th, 1968 and the report of the Auditors thereon.

2. Enlarging the Board of Directors to seven.

3. To elect Directors for the ensuing year. In accordance with the Articles of Association of the Company all Directors retire at the Annual General Meeting and the following Directors being eligible offer themselves for re-election:

Bernard O. Brynelsen  
Mervin E. Davis

Jacob Austin  
Donald B. Carmichael

John A. McLallen

In addition Morris M. Menzies and Frank S. Welters offer themselves for election as new Directors.

4. To appoint Auditors and authorize the Directors to fix their remuneration. Rose, Gale & Company, Chartered Accountants, have offered themselves for re-appointment as Auditors.

5. To confer a general authority on the Directors (expiring at the next Annual General Meeting of the Company unless then continued by ordinary resolution) to take or acquire by purchase or otherwise any shares in any other corporation.

6. To consider and adopt with or without amendment, the following resolution as a special resolution: "Resolved that all funds raised pursuant to any Prospectus here-to-fore issued by the Company, and which in the discretion of the Directors need not be reserved for the purposes stated in any such Prospectus, be used and employed generally by the Directors in obtaining properties for the Company and conducting exploration thereon for other general corporate purposes."

7. To consider and adopt, with or without amendment, the following resolution as a special resolution:

"RESOLVED that the Agreement dated the 22nd day of December, 1967 between the Company and Jacob Austin, Mervin E. Davis and Bernard O. Brynelsen, all Directors of the Company, providing for the issuance and allotment to the said Directors of 405,230 fully paid and non-assessable shares in the capital stock of the Company at 32½c per share in full settlement of the Company's debt to the said Directors in the sum of \$131,700 be and the same is hereby ratified, approved and confirmed."

8. Transacting such other business as may properly be brought before the Meeting.

Copies of the financial statements and Auditors report thereon to be presented to the Meeting will be mailed to the Shareholders more than seven days prior to the date of the Meeting.

The Register of Shareholders will be closed at 12:00 noon on the day of the Meeting and will remain closed until the Annual General Meeting is concluded. Proxies to be used at the Meeting must be deposited with the Company or Guaranty Trust Company of Canada Limited, 624 Howe St., Vancouver, B.C. on or before 12:00 noon on the day of the Meeting, the 15th day of April, 1968.

DATED at Vancouver, British Columbia, this 27th day of March, 1968.

On Behalf of the Board

JACOB AUSTIN, President.

### NOTE: PROXIES ARE BEING SOLICITED BY THE MANAGEMENT OF THE COMPANY

Shareholders are entitled to vote at the Meeting either in person or by proxy in accordance with the provisions of the Companies Act of the Province of British Columbia and amendments thereto, including the Companies Act Amendment, 1967.

If you are unable to be present at the Meeting, you are respectfully requested to complete, sign, date and return the attached Proxy.





# PINEX MINES LIMITED (N.P.L.)

## INFORMATION CIRCULAR

as at March 26th, 1968

This Information Circular is furnished in connection with the solicitation by the management of Pinex Mines Limited (N.P.L.) (hereinafter called the "Company") of proxies to be used at the 1968 Annual General Meeting of the Company to be held at the time and place and for the purposes set forth in the accompanying notice of meeting.

### REVOCABILITY OF PROXY

Any shareholder having returned the enclosed form of proxy and subsequently wishing to revoke same prior to the notice of exercise of the proxy, may accomplish this by written notice to the head office of the Company or the Chairman of the Meeting at which the instrument appointing the proxy may be used and shall be served on the proxy either personally or by mail addressed to his last known address, and upon either of such deposits and upon either personal service or the expiration of two days of mailing the instrument appointing the proxy it shall be revoked.

### PERSONS MAKING THE SOLICITATION

THE ENCLOSED FORM OF PROXY IS BEING SOLICITED ON BEHALF OF THE MANAGEMENT OF THE COMPANY. The cost of the solicitation will be paid by the Company. Solicitations will be made by mail, supplemented by telephone or other personal contact by the proper officers and employees of the Company without special compensation. The Company may reimburse shareholders nominees or agents for the cost incurred in obtaining their principals authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents.

### VOTING OF PROXIES

The Shareholder has the right to appoint a person to attend and act for him and on his behalf at the meeting other than the persons designated in the accompanying form of Proxy. To exercise this right the Shareholder may insert the name of the desired person in the blank space provided in the proxy and strike out the other names or may submit another proxy.

The shares represented by proxies in favour of management will be voted as indicated above except where the person or company whose proxy is solicited specifies a choice with respect to any matter to be acted upon in which event the shares shall, subject to Section 103 of the Securities Act, 1967 be voted in accordance with the specifications so made.

### VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The authorized capital of the Company is \$2,500,000 divided into 5,000,000 shares with a par value of \$.50 each of which there are issued and outstanding as fully paid and non-assessable 1,950,005 shares. All shares of the capital stock of the Company are of the same class and carry one vote each. Shareholders desiring to be represented by Proxy at the Meeting must deposit their proxy forms with the Company or the Guaranty Trust Company of Canada before 5:00 in the afternoon (Vancouver Time) on Thursday, the 11th day of April, 1968.

To the knowledge of the Directors and senior Officers of the Company, as of March 26th, 1968 the following are the only persons or companies holding, directly or indirectly, more than 10% of the outstanding voting shares of the Company:

Alfred E. Turton.....	274,125
450 Southborough, West Vancouver, B.C.	
Richardson Securities of Canada.....	239,200
173 Portage Avenue, Winnipeg, Manitoba.	





The Directors and senior Officers have no knowledge of the beneficial owners of the shares recorded in the name of Richardson Securities of Canada.

The foregoing does not reflect the 405,230 shares proposed to be issued to certain Directors of the Company and referred to under the Heading "Other Matters to be Acted Upon".

### ELECTION OF DIRECTORS

The Board presently consists of five Directors. The Directors of the Company are elected annually and hold office until the next Annual General Meeting of Shareholders or until their successors in office are duly elected. In the absence of notice to the contrary, the enclosed proxy will be voted for the nominees listed in this Circular, all of whom with the exception of Morris M. Menzies and Frank S. Welters, are currently members of the Board of Directors. The management does not contemplate that any of the nominees will be unable to serve in this capacity.

Name	Principal Occupation	Date first elected a Director
Bernard O. Brynelsen	P.Eng., Western Superintendent, Noranda Mines Limited, President, Brenda Mines Ltd.	October 31, 1966
Jacob Austin President	Solicitor, Andrews, Swinton & Company	October 31, 1966
Mervin E. Davis Secretary-Treasurer	Vice-President, Brenda Mines Ltd.	October 31, 1966
Donald B. Carmichael	Manufacturers Agent, J. D. Carmichael Co.	October 31, 1966
John A. McLallen	Vice-President & Managing Director, Capilano Timber Ltd. Chairman of the Board, Bethlehem Copper Corporation Ltd.	October 31, 1966
Morris M. Menzies	P.Eng., Director, Brenda Mines Ltd.	Proposed Nominee
Frank S. Welters	Self employed executive	Proposed Nominee

Shares of the Company are beneficially owned by the Directors of the Company as follows:

Name	No. of Shares
Bernard O. Brynelsen.....	129,125
Mervin E. Davis.....	134,125
Jacob Austin.....	55,000
Donald B. Carmichael.....	103,500
John A. McLallen.....	55,000
Morris M. Menzies.....	76,625

The foregoing does not reflect the 405,230 shares proposed to be issued to certain Directors of the Company and referred to under the heading "Other Matters to be Acted Upon".

### APPOINTMENT OF AUDITORS

Rose, Gale & Co., Chartered Accountants have been Auditors of the company since incorporation on November 2nd, 1965, and have offered themselves for re-appointment as Auditors.

### MANAGEMENT CONTRACTS

By an arrangement with Combined Capital Resources Limited of 401-1111 West Hastings Street, Vancouver 1, B.C., the company has paid to Combined Capital Resources Limited since December 1st, 1967 the sum of \$1,000.00 per month, such sum representing a portion of the cost to several companies of supervision, accounting and engineering services (except disbursements for such items as stationery and telephone) provided to such companies by Combined Capital Resources Limited. Prior to December 1st, 1967 such services were provided to the companies by Brenda Mines Ltd.







The insiders of Combined Capital Resources Limited are:

Name	Address
J. Austin,	2664 Edgar Crescent, Vancouver, B.C.
J. A. McLallen,	c/o 401 - 1111 West Hastings Street, Vancouver, B.C.
B. O. Brynelsen,	1962 Knox Road, Vancouver, B.C.
M. M. Menzies,	5585 McMaster, Vancouver, B.C.
M. E. Davis,	597 Hadden Drive, West Vancouver, B.C.
R. Hedlin,	112 Westgate, Winnipeg, Manitoba.
A. E. Elworthy,	5237 Connaught Drive, Vancouver, B.C.
F. Trebell,	6145 St. Georges Crescent, West Vancouver, B.C.
J. Wannamaker,	c/o 401 - 1111 West Hastings St., Vancouver, B.C.
M. Watts,	c/o 401 - 1111 West Hastings St., Vancouver, B.C.
S. B. Slym,	948 Thermal Drive, Coquitlam, B.C.

#### OTHER MATTERS TO BE ACTED UPON

By an Underwriting Agreement dated April 3rd, 1967 the Company agreed to sell 400,000 shares of its capital stock to Waite, Reid & Co. Ltd. at the price of \$.50 per share. On July 31st, 1967 Waite, Reid & Co. Ltd. was petitioned into bankruptcy and at that time was indebted to the Company in the sum of \$88,500 in respect of the said Underwriting Agreement. The Company had entered into commitments for exploration work during the exploration year of 1967 dependent upon the fulfilment by Waite, Reid & Co. Ltd. of its commitment under the Underwriting Agreement and certain Directors of the Company in order to save the Company from bankruptcy and to maintain the Company's accounts and business reputation advanced to the Company the sum of \$131,700. By an Agreement dated the 22nd day of December, 1967 the Company agreed to issue and allot to Jacob Austin, Mervin E. Davis and Bernard O. Brynelsen, all Directors of the Company, 405,230 fully paid and non-assessable shares in the capital stock of the Company at 32½¢ per share in full settlement of the Company's debt to them in the sum of \$131,700. It is a requirement of the British Columbia Securities Commission that the Agreement be approved by the shareholders of the Company and that the shares be held in escrow with Guaranty Trust Company of Canada.

The Agreement of December 22nd, 1967 was entered into with Jacob Austin, Mervin E. Davis and Bernard O. Brynelsen on behalf of and the 405,230 shares held for the following persons:

✓ Mervin E. Davis .....	70,721
✓ Bernard O. Brynelsen .....	70,721
Alfred E. Turton .....	70,721
Morris M. Menzies .....	70,721
✓ Jacob Austin .....	122,346

It is not known that any other matters will come before the Meeting other than as set out in the Notice of Meeting but if such should occur the persons named in the accompanying proxy intend to vote on them in accordance with their best judgment exercising discretionary authority with respect to amendments or variations of matters identified in the notice of meeting and other matters which may properly come before the Meeting or any adjournment thereof.







**ANNUAL  
GENERAL  
MEETING**

Queen Anne Room  
Hotel Georgia

April 15th  
1968  
2:30 p.m.  
Vancouver  
Time

**PINEX MINES LIMITED (N.P.L.)**

**DIRECTORS**

J. AUSTIN - - - - - Vancouver, B.C.  
B. O. BRYNELSEN - - - - - Vancouver, B.C.  
M. E. DAVIS - - - - - Vancouver, B.C.  
D. B. CARMICHAEL - - - - - Vancouver, B.C.  
J. A. McLALLEN - - - - - Vancouver, B.C.

**OFFICERS**

J. AUSTIN - - - - - President  
B. O. BRYNELSEN - - - - - Vice-President  
M. E. DAVIS - - - - - Secretary-Treasurer  
S. B. SLYM - - - - - Assistant Treasurer

**HEAD OFFICE**

#401 - 1111 West Hastings St., Vancouver 1, B.C.

**REGISTERED OFFICE**

#901 - 900 West Hastings St., Vancouver 1, B.C.

**AUDITORS**

Rose, Gale & Company, Vancouver, B.C.

**SOLICITORS**

Andrews, Swinton, Margach, Austin & Williams, Vancouver, B.C.

**REGISTRAR & TRANSFER AGENT**

Guaranty Trust Company of Canada, Vancouver, B.C.



## **REPORT OF THE BOARD OF DIRECTORS**

This is the first Annual Report of the Company and we have had an eventful time since incorporation, particularly in the last 15 months which have seen important changes in the direction of the affairs of the Company to an expanded role in resource exploration and development.

At the beginning of 1967 a new Board of Directors took charge of the Company; provided the new capital to finance company activity; and commenced a program which has now lead to the Company holding participation in ventures for the development of economic properties containing copper, sulphur, lead-zinc, molybdenum, uranium, coal, and gas and oil.

The Company is also participating in research through Ionarc Smelters Ltd. (N.P.L.) in respect of high intensity electric arc smelting processes, and in assisting in research at the Colorado School of Mines Research Foundation for the development of a new sulphur smelting process.

The work of the Company was seriously hampered during 1967 by the financial collapse of the Company's underwriter, Waite, Reid & Co. Ltd. However, the Directors were able to arrange a means by which the Company was returned to a solvent financial position and thereby permitted to seek funds from underwriters for use in the Company's 1968 program.

Details of the financial transactions of the Company are provided in the section of this report entitled "Financing" and also in the audited financial statements.

The Directors' optimism in the bright future prospects of our Company is justified by a review of the Company's properties, report of work done to date, and the work planned for 1968 and the future. These details are set out below for your review:

### **COPPER**

#### **Coppermine Claims — N.W.T. — Noranda Exploration Agreement**

The Company has purchased 145 claims and has agreed to purchase another 118 claims in the active Coppermine River area of the North West Territories. The purchase of the 118 additional claims for \$29,500 is contingent upon the Company being listed on, and receiving approval from, the Vancouver Stock Exchange.

The total 263 claims are to be explored in 1968 by Noranda Exploration Company Limited pursuant to a recently signed agreement. If results warrant Noranda shall be entitled to proceed with all work to the point of a production decision. These properties can then be acquired by Noranda by the incorporation of a new company in which Pinex Mines Limited shall be entitled to 30-40% of the issued shares of the new company depending on the final total of expenditures required to develop the property. Noranda will be obliged to provide all of the necessary production financing.

The claims in this area are in four separate groups, (see map). The western block of 92 claims (COP Group) is located adjacent to the Dixon Fault which is considered a highly favourable area for important copper mineralization. Almost all of the Company's neighbours on the Dixon Fault are associated with the P.C.E. Explorations Ltd. group. The South-west group of claims (ROB, SOP and MGB Group) totals 49 and is located in the South-westerly area of the Teschierpi Fault which is a second major fault structure in the Coppermine River area.

Approximately 1½ miles North-easterly of these 49 claims a major discovery has been made in the Teschierpi Fault structure by Coppermine River Ltd., under the management of P.C.E. Explorations Ltd. A third block (GORD Group) on the South-easterly side of the



Coppermine River Area totals 114 claims. A report by the Prospector from whom the claims are purchased indicates important potential. Several showings are known to exist on this property and have been mapped by the Prospector. The fourth block consisting of 8 claims is the most easterly holding of the Company. These claims (HM Group) are located on the southern portion of a copper bearing structure, the larger portion of which is held by P.C.E. Explorations Ltd.

Your Directors' believe that the Coppermine River claims of the Company are as ideally located as properties held by any of the junior mining companies in that area and that major activity will be carried on in the Coppermine during 1968 making it the largest new mining camp in Canada.

An active program of sampling, prospecting and geophysical work is planned and will be underway within 60 days.

## **SULPHUR**

### **Thermopolis Property — Wyoming — New Sulphur Refining Process**

Your Directors have been impressed by the remarkable world demand for sulphur and by expert predictions for the continuity of this demand over the next several years. By an agreement dated February 15th, 1968, the Company has agreed to purchase for the sum of \$100,000 all rights and interest in the Thermopolis Sulphur property in Hot Springs County, Wyoming. The vendors of the property have made the sale of the property conditional upon the listing of the company on the Vancouver Stock Exchange and also subject to the approval of the agreement by the Vancouver Stock Exchange. These steps must be completed by April 30th, 1968 if this agreement is to be consummated.

The technology of sulphur refining has not till now been developed to the point where an elemental sulphur deposit such as the Thermopolis property can be brought into production at a nominal cost. Fortunately, a process with some potential owned by Thermochem Industries Ltd. is under examination at the Colorado School of Mines Research Foundation at Golden, Colorado. The Company's Consultants, Chapman, Wood & Griswold Ltd., Consulting, Mining Engineers & Geologists, have been retained to assist in the direction of this research work and the Company has undertaken to advance not more than \$25,000 towards the costs of a pilot mill study in consideration for the right of use of the process on the best terms made available to any user. Any funds advanced by the Company are credited to the first royalty payment due by the Company for the use of the process. To date the Company has advanced \$11,000 under this arrangement.

In the event that the study proves successful your Directors believe that the Company's position in the sulphur industry can become an important one. The results of the pilot mill study to date would indicate that the Directors were wise to have acquired the Thermopolis property and the right to the use of the process.

## **LEAD-ZINC**

### **Pine Point Area — North West Territories**

The first program of the Company initiated by the original Board of Directors was in the Pine Point area of the North West Territories at a time when considerable exploration activity was underway there based on discoveries by Pine Point Mines Ltd., Pyramid Mines Ltd. and others. The Company's claims are located on the south shore of Great Slave Lake, 14 miles North-east of Pine Point, North West Territories.



Prospecting and other work was done during 1966 and again in 1967 which indicated that some of the claims should be released. The Company presently holds 68 claims in this location which have been retained as a result of a reconnaissance survey conducted in June 1967. The survey was inconclusive, but the area retained by the Company is considered potentially valuable and therefore warrants further investigation.

The Directors propose a program to determine what specific anomalous conditions exist on these claims from detailed geophysical work, and if attractive a test drilling program will follow. The Directors believe that there is every reason for concluding that not all of the ore bodies in the area have been found.

## URANIUM-MOLYBDENUM

### Athabaska — Northern Saskatchewan

By four agreements dated September 1st, 1966, the Company acquired options to purchase properties holding promising uranium shows and in one case a molybdenum target. These properties are as follows:

- a) *Claim Block CBS. 217 — Pluto Bay Molybdenum Property*  
A. R. Bullis, P.Eng., as Consulting Engineer recommended a program of trenching and sampling and if encouraging results were obtained then a second stage of core drilling. This work was done with promising results with respect to the size and grade of the structure.

Some samples obtained ran between 2-3%  $M_0S_2$ . As a result a drilling program totaling 1,812-ft. was undertaken in the early part of 1967 but results were disappointing. A. R. Bullis concluded that further mapping and geologic work should be done to define the structure more precisely, after which more diamond drilling may be undertaken. The program on this property was not continued due to the Company's financial difficulties.

- b) *Claim Block CBS. 285 Martin Lake — Uranium Property*  
This property is located at Martin Lake approximately 1½ miles south of Uranium City, Saskatchewan.

Claim Block CBS. 285 adjoins Eldorado Mining & Refining Company on the west side, and lies between Eldorado's Ace and Fay Mines on the one side and Cinch Lake Uranium Mines on the other.

Two major faults cut the rocks in the vicinity of CBS. 285. The St. Louis Fault is thought to extend across CBS.285 and there are a number of branching Faults at Cinch Bay on Martin Lake that could be the continuation of the St. Louis Fault. Additionally, the second major Fault named the Black Bay Fault strikes into the vicinity of Martin Lake. Many of the important uranium deposits of the region are associated closely with either the St. Louis Fault or the Black Bay Fault. The Ace and Fay Mines from which have come the bulk of the production of the Eldorado Mining & Refining Company lie along the St. Louis Fault. The principal deposits of Cinch Lake, Uranium Mines Ltd., and the Eke Lake deposit lie along or adjacent to the Black Bay Fault.

The Company's Consultant, A. R. Bullis, P.Eng. in examining this uranium property advised as follows, "The combination of good structure, i.e. St. Louis Fault; with host rocks that are known to contain ore bodies elsewhere and which should improve with depth plus the proximity of the large deposits of the Ace and Fay Mines, makes the Claim Block CBS. 285 an attractive prospect".



The Company has maintained CBS. 285 claims in good standing but has not undertaken work aside from mapping faults and shear zones.

c) *BURN Group — Grease River — Uranium Prospect*

The property consists of 6 mineral claims located on the Grease River of Northern Saskatchewan with Uranium City lying 90 miles to the west.

Two separate zones of mineralization are exposed with good length in each case. Trenching has been done on the first zone and a combined average of samples was 0.12% U<sub>308</sub>. The second zone has not been sampled but gives a good geiger count. Both zones are almost parallel to each other.

Enough is known of the property to warrant a sampling program in the opinion of A. R. Bullis, P.Eng. A program of trenching and small pit blasting is recommended followed by a drilling program if results warrant.

d) *UR — CAM Groups — Charlebois Lake — Uranium Prospect*

These consist of 17 claims held on Charlebois Lake about 120 miles east of Uranium City, Saskatchewan. The uranium showing can be traced almost 800-ft. on the CAM group and from trenching an average sampling of 0.15% U<sub>308</sub> was obtained. The uranium showing appears to be a continuous zone of approximately ½ mile on the UR group. Trenching already carried out has indicated a grade similar to that of the CAM showing.

A systematic sampling and mapping program has been recommended by A. R. Bullis, P.Eng., followed by core drilling if results are encouraging.

e) *TERRY Group — Hill Lake — Uranium Prospect*

This group of 5 claims is located approximately 14 miles South-east of the airport at Uranium City on Lake Athabaska. The showings consist of long regular zones that closely follow North-south striking faults. The zones can be traced for at least 4,500-ft. and high radio activity is recorded on the structure. No work has been done on the property.

The Directors intend to have additional work done on each of the above properties as recommended by the Consultant. The work has not yet been scheduled pending the overall assessment of our exploration program and the provision of adequate financing.

## OIL AND GAS

### Alberta

At the time of acquisition of control of the company by the present Board of Directors the Company had committed itself to participate in two exploration projects in Alberta. These were the Acheson Prospect and the Calais Prospect.

A hole was drilled on the Acheson Prospect on which this Company had a 12½ % working interest. The holes proved to be unsuccessful and the Company has subsequently dropped all interest and participation in this acreage.

The Calais Prospect in which the Company has a 12½ % working interest also was drilled and an oil discovery made. This property has been placed on a commercial basis and the Company together with its partners have been carrying out work under the direction of Pennzoil Company to remove the disabilities and obtain an adequate production.

## **COAL**

### **B.C. Coal Property**

In 1967 the Company advanced \$126,097.75 to Intercoal Resources Ltd., a private company, incorporated to act as Agent for Pinex in the development of a coal property near Prince George, British Columbia. Intercoal held an option from Northern Coal Mines Ltd. to purchase a 100% interest in the coal properties and for the funds advanced Pinex was to have received 75% of the issued shares of Intercoal.

After more than six months work on the property with only fair results, Intercoal did not wish to proceed, but could retain control of the property for some time because of the amount of money spent on exploration. Northern Coal did not want to suspend the operation and in consideration for relinquishing its option to the property, Intercoal received 1,000,000 fully paid and non-assessable shares of Northern Coal. Intercoal's total holdings in Northern Coal at this point was 1,120,000 shares. Pinex received from Intercoal 840,000 shares of Northern Coal as full reimbursement for the funds advanced to Intercoal, which represented 75% of the cost to Intercoal for exploration of the coal property.

The Directors of Northern Coal Mines Ltd. have advised us that they have made financial arrangements to carry on their work on the property. Pinex is represented on the Northern Coal Board of Directors by M. M. Menzies and D. B. Carmichael.

### **Financing**

In April, 1967, the Company agreed with Waite, Reid & Co. Ltd. to have them underwrite an issue of 400,000 shares for a total of \$200,000. Unfortunately, the underwriters became bankrupt in July before completing the purchase of the shares.

The Company's financial situation in the ensuing months became critical due to the continuing costs relative to the Northern Coal exploration program and other commitments. The Directors had to seek a means to completing the original underwriting and relieving the Company of its debt burden so that the Company could avoid bankruptcy and continue its operations.

In November the Trustee in Bankruptcy for Waite, Reid agreed to complete the underwriting for a final net consideration in cash to the Company of \$155,750 for the issue of 400,000 shares.

In December three of the Company's Directors, Messrs. Austin, Brynelsen and Davis agreed to assume liabilities of the Company to carry on business and enable it to obtain financing in the future for its proposed exploration program. As consideration for the assumption of the liabilities the Company is to issue to them 405,230 shares as fully paid and non-assessable. The British Columbia Securities Commission has approved the transaction subject to the approval of the Company's shareholders.

\* \* \* \*

Your Directors have outlined an aggressive program for the Company in 1968 in several areas. Financing is required and an underwriting arrangement with Hemsworth, Turton & Co. Ltd. has been agreed to, conditional upon a listing of the Company on the Vancouver Stock Exchange on or before April 30, 1968.

The Directors believe the Company is now in a position where it has recovered from the set back by the bankruptcy of Waite, Reid & Co. Ltd. and that 1968 will be an exciting and perhaps historic year.

SUBMITTED ON BEHALF OF THE BOARD:

J. AUSTIN  
President

March 28th, 1968.



Exhibit "A"

**BALANCE SHEET AS AT FEBRUARY 29, 1968****ASSETS****Current**

Bank		\$ 31,646.63
Deposits (Note 1)		19,500.00
Advances		2,440.00
		<u>53,586.63</u>

**Investments**

Northern Coal Mines Ltd.		
840,000 shares—at cost (Note 2)	\$126,097.75	
Ionarc Smelters Ltd.		
20,000 shares—at cost (Note 3)	10,000.00	
Oil Farmouts—at nominal value (Note 4)	2.00	
Advances to Sulphur Process Pilot		
Mill Project (Note 5)	<u>11,000.00</u>	147,099.75

**Mineral Properties (Note 6)**

Properties—options to purchase	60,000.00	
Mineral claims	<u>75,500.00</u>	135,500.00

**Equipment—at cost**

459.31

**Deferred**

Exploration, development and administration expenses (Exhibit "B")	123,433.42	
Incorporation expense	<u>1,591.18</u>	125,024.60
		<u>\$461,670.29</u>

**LIABILITIES****Current**

Bank loan	\$ 15,000.00
Accounts payable and accrued charges	34,767.34
Advance by shareholder	<u>11,000.00</u>

60,767.34

**Share Capital (Note 7)**

442,452.50

**Deficit**

Cost of acquiring interest in oil farmouts and expenses related thereto, written off (Note 4)	(41,549.55)
	<u>\$461,670.29</u>

The accompanying notes are an integral part hereof.

Signed on behalf of the Board:

M. E. DAVIS, Director

B. O. BRYNELSEN, Director

**NOTES TO FINANCIAL STATEMENTS AS AT FEBRUARY 29, 1968**

**1. Deposits—\$19,500.00**

In order to keep certain of the company's properties in good standing until assessment work is performed and filed, \$19,500.00 has been placed on deposit with the mining recorders in the relative districts. These amounts are refundable when the necessary work is done and filed in the recorder's office prior to the expiration of the extension periods.

**2. Northern Coal Mines Ltd.—840,000 shares, \$126,097.75**

The company advanced \$126,097.75 towards the development of a coal property near Prince George of Northern Coal Mines Ltd. The company subsequently negotiated an arrangement wherein for the surrender of certain option rights on the property and in consideration for the advances made, it acquired 840,000 fully paid shares of Northern Coal Mines Ltd.

**3. Ionarc Smelters Ltd.—20,000 shares, \$10,000.00**

The company may be called upon to purchase an additional 20,000 shares of Ionarc for an additional \$10,000.00.

**4. Oil Farmouts—\$2.00**

The company has a 12½% working interest in two oil farmouts from Suffolk Oil and Gas Ltd. of Calgary, Alberta. The oil lands are all located in Alberta and are known as the Acheson and Calais properties. A nominal value has been assigned to the interests pending further information necessary to determine if some value lies in the mineral production capabilities of the Calais well.

**5. Advances to Sulphur Process Pilot Mill Project—\$11,000.00**

The company has agreed to participate in financing, to a maximum of \$25,000.00, a pilot mill study of a new sulphur refining process conducted by The Research Foundation of the Colorado School of Mines at Golden, Colorado.

**6. Mineral Properties—\$135,500.00**

The following summarizes the company's property interests at February 29, 1968:

(a) Pine Point Area, Mackenzie Mining District—68 claims

(b) Coppermine Area, Mackenzie Mining District—145 claims

The company has entered an agreement with Noranda Exploration Company Limited who will actively explore these claims during 1968 and during the currency of the option will maintain all claims in good standing.

Should results of exploration in Noranda's estimation indicate the existence of a commercial ore body and a decision to proceed to production is made, Noranda shall arrange financing to production and shall receive 60% of the issued stock of the new company to be formed and Pinex shall receive 40% provided that the total expenditures are less than \$10,000,000.00. Should total expenditures made by Noranda exceed this amount, then Noranda shall be entitled to receive 70% and Pinex 30% of the issued stock of the new company.

By an agreement dated March 1, 1968, Pinex has agreed to purchase an additional 118 mineral claims in the Coppermine Area for \$29,500.00 subject to the approval of the Vancouver Stock Exchange. In the event such approval is not obtained, the agreement shall be null and void. The claims will be included in the agreement with Noranda.



(c) Athabaska Mining District, Saskatchewan—40 claims and three claim blocks

Four separate groups of these claims are held under four separate option agreements which may be kept in good standing by payments of \$40,000.00 in 1968 and \$200,000.00 in 1969. Each option agreement provides that if the claims thereunder are brought into production, or if the purchase price completed or if assigned to a third party, then a public company is to be incorporated and further consideration is to be paid in the form of 10% of the authorized capital or of the amount allowed by the Superintendent of Brokers as consideration for mineral properties assigned.

The property under the option agreement to purchase claim block CBS 217 is subject to a lien in the favour of the Province of Saskatchewan in the sum of \$40,238.55. The lien is in respect of financial assistance provided by the Province and is repayable out of profits if and when the property becomes a commercial producer.

(d) Quesnel Lake, Cariboo Mining District—12 claims

(e) In the State of Wyoming, County of Hot Springs

The company has agreed to purchase all mineral rights except oil and gas in three mineral leases for \$100,000.00. The agreement is subject to the listing of Pinex on the Vancouver Stock Exchange and approval of the agreement by the Vancouver Stock Exchange. In the event such approval is not obtained, the agreement shall be null and void, but if approval is obtained, the company will be required to purchase the leases and to pay the \$100,000.00.

## 7. Share Capital

(a) Authorized—5,000,000 shares of a par value of 50c each \$2,500,000.00

(b) Issued and full paid:

To December 31, 1966

	Number	Par Value	Discount	Net
For cash	800,005	\$ 400,002.50	\$260,000.00	\$140,002.50
For mining claims	750,000	375,000.00	360,000.00	15,000.00
	<u>1,550,005</u>	<u>775,002.50</u>	<u>620,000.00</u>	<u>155,002.50</u>
January 1, 1967 to February 29, 1968				
For cash	400,000	200,000.00	44,250.00	155,750.00
Total issued and outstanding	<u>1,950,005</u>	<u>975,002.50</u>	<u>664,250.00</u>	<u>310,752.50</u>
To be issued for the assumption of liabilities	405,230	202,615.00	70,915.00	131,700.00
	<u>2,355,235</u>	<u>\$1,177,617.50</u>	<u>\$735,165.00</u>	<u>\$442,452.50</u>

(c) By the underwriting agreement of April 3, 1967, Waite, Reid & Co. Ltd. were to have purchased 400,000 shares of the company for a total consideration of \$200,000.00. Following the bankruptcy of the underwriters, which occurred prior to the completion of the underwriting, the directors arranged with the Trustee in Bankruptcy to complete the underwriting for a total net consideration in cash to the company of \$155,750.00.

(d) By an agreement dated December 22, 1967, approved by the British Columbia Securities Commission, three of the company's directors, Messrs. Austin, Davis and Brynelsen, assumed certain liabilities of the company, totalling \$131,700.00. As consideration for the assumption of the liabilities, the company will issue to them as fully paid and non assessable 405,230 shares subject to the approval of the shareholders.

**STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND  
ADMINISTRATION EXPENSES FOR THE PERIOD**

**FROM DECEMBER 31, 1966 TO FEBRUARY 29, 1968**

	Balance December 31, 1966	Added in Period	Balance February 29, 1968
<b>EXPLORATION AND DEVELOPMENT</b>			
Survey and line cutting.....	\$ 3,910.25	\$ 37.71	\$ 3,947.96
Assays and sampling.....	247.35	228.55	475.90
Engineering.....	7,103.32		7,103.32
Geophysical.....	2,812.58	633.34	3,445.92
Travel, charters and freight.....	3,231.87	18,773.47	22,005.34
Claim recording and assessments.....	4,264.00	381.67	4,645.67
Drilling and drilling supplies.....	1,132.82	30,512.56	31,645.38
Camp supplies.....	1,126.71	6,712.09	7,838.80
Consulting fees.....		21,368.98	21,368.98
Prospectors' fees.....	5,115.77	9,951.02	15,066.79
Sundry.....	93.71	56.09	149.80
	29,038.38	88,655.48	117,693.86
Less: Province of Saskatchewan exploration subsidy.....		28,769.57	28,769.57
	29,038.38	59,885.91	88,924.29
<b>ADMINISTRATION</b>			
Advertising.....	681.00	2,341.49	3,022.49
Bank charges and interest.....		2,436.08	2,436.08
Legal and audit.....	8,104.09	6,829.01	14,933.10
Printing and stationery.....	735.95	117.95	853.90
Office rental and administration fees.....		11,640.00	11,640.00
Sundry.....	329.80	407.20	737.00
Telephone.....		371.78	371.78
Transfer agency fees.....	587.84	867.76	1,455.60
Travel.....		1,420.46	1,420.46
	10,438.68	26,431.73	36,870.41
	39,477.06	86,317.64	125,794.70
Less: Interest income.....	2,116.86	244.42	2,361.28
	<u>\$37,360.20</u>	<u>\$86,073.22</u>	<u>\$123,433.42</u>



Exhibit "C"

**STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

FOR THE PERIOD FROM DECEMBER 31, 1966 TO FEBRUARY 29, 1968

**SOURCE OF FUNDS**

Net proceeds from the issue of shares		
400,000 shares for cash.....	\$155,750.00	
405,230 shares for assumption of liabilities.....	<u>131,700.00</u>	\$287,450.00
Interest income.....		244.42
Exploration subsidy—Province of Saskatchewan.....		<u>28,769.57</u>
		<u>316,463.99</u>

**APPLICATION OF FUNDS**

Deferred exploration and development expenses.....	88,655.48	
Deferred administration expenses.....	26,431.73	
Cost of participation in oil well drilling farmout.....	16,039.67	
Investment in Ionarc Smelters Ltd.....	10,000.00	
Acquisition of fixed assets.....	459.31	
Payments on option agreements.....	40,000.00	
Purchase of mineral claims.....	38,000.00	
Share of cost of Sulphur Process Pilot Mill.....	11,000.00	
Net investment in Northern Coal Mines Ltd.....	<u>126,097.75</u>	356,683.94

**DECREASE IN WORKING CAPITAL**\$ 40,219.95**WORKING CAPITAL**

	February 29, 1968	December 31, 1966	Increase (Decrease)
Current assets.....	\$ 53,586.63	\$34,304.28	\$ 19,282.35
Less: Current liabilities.....	<u>60,767.34</u>	<u>1,265.04</u>	<u>(59,502.30)</u>
	<u>\$ (7,180.71)</u>	<u>\$33,039.24</u>	<u>\$(40,219.95)</u>

**AUDITORS' REPORT TO THE SHAREHOLDERS**

To the Shareholders,  
Pinex Mines Limited (N.P.L.)

We have examined the balance sheet of Pinex Mines Limited (N.P.L.) as at February 29, 1968 and the statements of deferred exploration, development and administration expenses and source and application of funds for the period ended on that date. Our examination included a general review of accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the company and the results of its operations for the period ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Vancouver, Canada  
March 28, 1968

ROSE, GALE & CO.,  
Chartered Accountants







